

## Message Text

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PAGE 01 BRUSSE 12869 281203Z  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 PA-01 AID-05 SS-15 STR-05  
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00  
OMB-01 NSCE-00 /095 W  
-----062824 281209Z /43

P 281157Z SEP 77

FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC PRIORITY 2106  
INFO AMEMBASSY PARIS PRIORITY  
USMISSION GENEVA  
AMEMBASSY BONN  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE

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USEEC

PARIS ALSO FOR OECD; GENEVA ALSO FOR MTN  
DEPARTMENT PASS WHITE HOUSE FOR TRIPP

E.O. 11652: N/A

TAGS: EEC, ETRD, EIND, EGEN, OECD  
SUBJ: EC STEEL FORECASTS

1. THE EC COMMISSION HAS REVISED ITS FOURTH QUARTER  
FORECASTS FOR CRUDE STEEL OUTPUT DOWNWARDS TO 32 MILLION  
TONS FROM THE 34.8 MILLION TON LEVEL WHICH THE COMMISSION  
HAD FORECAST IN JULY. THE FORECASTS ARE THE BASIS OF  
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THE DELIVERY TARGETS FOR STEEL UNDER THE DAVIGNON STEEL  
PLAN. THIS CHANGE, WHICH HAS BEEN MADE WITH THE CON-  
CURRENCE OF PRODUCERS, IS BLAMED ON DISAPPOINTING  
INTERNAL DEMAND. THE 32 MILLION TON FORECAST IS BELOW  
THE VERY POOR FOURTH QUARTER 1976 PRODUCTION LEVEL OF  
32.5 MILLION TONS. THE COMMISSION'S NEW FORECASTS  
WILL VERY LIKELY BE APPROVED BY THE ECSC CONSULTATIVE

COMMITTEE ON OCT 6.

2. REGARDING PRICE ASPECTS OF THE DAVIGNON PLAN, COMMISSION STAFF OFFICIALS CONTINUE TO BE GENERALLY SATISFIED WITH THE PERFORMANCE OF REFERENCE PRICES BUT ADMIT THAT MINIMUM PRICES FOR REBARS HAVE BEEN A FAILURE. APART FROM BASIC PROBLEM OF NON-COOPERATION FROM MANY PRODUCERS, ESPECIALLY IN FRG AND ITALY, PROBLEMS ARE DUE TO THE RATHER OPEN CONSULTATION PROCEDURES OF THE COMMISSION. STEEL CUSTOMERS ARE AWARE OF PROPOSED PRICE HIKES UP TO EIGHT WEEKS BEFORE THEY COME INTO EFFECT AND CAN THUS ENGAGE IN ANTICIPATORY PURCHASING, THEREBY CREATING LARGER INVENTORIES AND FURTHER DOWNWARD PRESSURE ON PRICES.

3. MOREOVER THE INVESTIGATION STAFF OF THE COMMISSION IS THIN AND IT TAKES MONTHS TO COMPLETE A COMPLAINT PROCESS. THE COMMISSION HAS JUST COMPLETED THIS PROCESS FOR SEVERAL ITALIAN AND GERMAN FIRMS ENGAGED IN "MINI-MILL" PRODUCTION OF REBARS AND WILL ANNOUNCE FINES SHORTLY. STAFF OFFICIALS EXPRESSED HOPE THIS WOULD HAVE DISSUASIVE IMPACT ON PRACTICE OF IGNORING MINIMUM PRICES.

4. DAVIGNON HAS ALSO CONVINCED DEALERS HOLDING STOCK-PILES OF STEEL TO ALIGN THEIR PRICES WITH THE DAVIGNON PLAN REFERENCE PRICES. THIS IS IMPORTANT TO THE PLAN SINCE AS A GROUP THE DEALERS ARE IMPORTANT IMPORTERS AND IMPORTS ARE NOT EXPLICITLY COVERED BY THE REFERENCE LIMITED OFFICIAL USE

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PRICES. THEORETICALLY AT LEAST, THE DEALERS WILL NOT HAVE AS GREAT AN INCENTIVE TO SEEK CHEAP IMPORTS AS THEY DID WHEN THEY WERE OFFERING SUBSTANTIAL DISCOUNTS FROM THE REFERENCE PRICES. THIS IN TURN SHOULD LEAD TO A FIRMING OF IMPORT PRICES. HINTON

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STEEL, INDUSTRIAL PRODUCTION, ECONOMIC ESTIMATES  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BRUSSE12869  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770353-0055  
**Format:** TEL  
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**Line Count:** 99  
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**Litigation History:**  
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**Message ID:** 2bc38c3b-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1108307  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EC STEEL FORECASTS  
**TAGS:** ETRD, EIND, EGEN, EEC, OECD  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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